



STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 991
MONTGOMERY, ALABAMA 36101-0991

September 20, 2001

JIM SULLIVAN, PRESIDENT

JAN COOK, ASSOCIATE COMMISSIONER

GEORGE C. WALLACE, JR., ASSOCIATE COMMISSIONER

WALTER L. THOMAS, JR.

SECRETARY

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DOCKET FILE COPY ORIGINAL SEP 24 2001

FCC MAIL ROOM

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
Office of the Secretary 445 12th Street, SW
Room TW-204B
Washington, D.C. 20554

Re: CC Docket No. 96-45 - U.S.F. Certification of Alabama's Rural and Non-Rural Carriers

Dear Secretary Salas:

Pursuant to the requirements of 47 C.F.R. §54.313, the Alabama Public Service Commission (the "APSC") hereby certifies to the Federal Communications Commission (the "Commission") that all federal high-cost universal service funds flowing to Alabama Non-Rural local exchange carriers BellSouth Telecommunications, Inc. (BellSouth) and Verizon South, Inc., f/k/a GTE South, Incorporated and Contel of the South, Inc., d/b/a Verizon Midstates (collectively Verizon) for the year commencing January 1, 2002, and ending December 31, 2002, will be utilized in a manner consistent with §254(e) of the Telecommunications Act of 1996. As required by §254(e), BellSouth and Verizon will only utilize the federal high-cost support for which they are eligible in the year 2002 for the provision, maintenance and upgrading of facilities and services for which that support is intended.

The APSC also certifies that pursuant to the newly established requirements of 47 C.F.R. §54.314, all of the federal universal service funding flowing to Alabama's Rural Carriers¹ for the year commencing January 1, 2002, and ending December 31, 2002, will be utilized in a manner consistent with §254(e) of the Telecommunications Act of 1996. As required by §254(e), Alabama's Rural Carriers will only utilize the federal support for which they are eligible in the year 2002 for the provision, maintenance and upgrading of facilities and services for which that support is intended.

¹ Alabama's Rural Carriers herein certified are: ALLTEL Alabama, Inc.; Ardmore Telephone Company, Inc.; Blountsville Telephone Company, Inc.; Brindlee Mountain Telephone Company; Butler Telephone Company, Inc.; Castleberry Telephone Company, Inc.; Farmers Telephone Cooperative, Inc.; Frontier Communications of Alabama, Inc.; Frontier Communications of Lamar County, Inc.; Frontier Communications of the South, Inc.; Graceba Telephone Company, Inc.; GTC, Inc., d/b/a GT Com; Gulf Telephone Company, Inc.; Hayneville Telephone Company, Inc.; Hopper Telecommunications, Inc.; Interstate Telephone Company, Inc.; Millry Telephone Company, Inc.; Mon-Cre Telephone Cooperative, Inc.; Moundville Telephone Company, Inc.; National Telephone Company, Inc.; New Hope Telephone Cooperative, Inc.; Oakman Telephone Company; Otelco Telephone, LLC; Peoples Telephone Company; Pine Belt Telephone Company, Inc.; Ragland Telephone Company, Inc.; Roanoke Telephone Company, Inc.; Union Springs Telephone Company, Inc.; and Valley Telephone Company, Inc..

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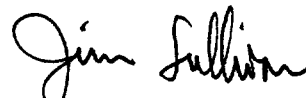
Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
September 20, 2001
Page Two

The representations and certifications herein provided are largely the product of informal proceedings conducted before the APSC in Docket 25980. A copy of the APSC's Order approving and certifying the proposals of BellSouth, Verizon, and Alabama's Rural Carriers regarding their intended utilization of the federal support for which they are eligible in the year 2002 is enclosed herein.

The APSC thanks the Commission for its diligence and cooperation in this matter. Please be advised that a copy of this notice is simultaneously being forwarded to the Universal Service Administrative Company. Please date stamp the extra copy of this filing and return it to the APSC in the enclosed, stamped, self-addressed envelope.

Sincerely,

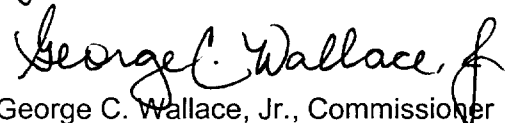
ALABAMA PUBLIC SERVICE COMMISSION



Jim Sullivan, President



Jan Cook, Commissioner



George C. Wallace, Jr., Commissioner

JS/JC/GCWjr:klr

Enclosure

By FedEx Priority Overnight

c: Irene Flannery
Universal Service Administrative Company
2120 L Street, NW, Suite 600
Washington, D.C. 20037



STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION
P.O. BOX 991
MONTGOMERY, ALABAMA 36104-0991

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SEP 24 2001

FCC MAIL ROOM

JIM SULLIVAN, PRESIDENT
JAN COOK, ASSOCIATE COMMISSIONER
GEORGE C. WALLACE, JR., ASSOCIATE COMMISSIONER

WALTER L. THOMAS, JR.
SECRETARY

IN RE: IMPLEMENTATION OF THE
UNIVERSAL SERVICE REQUIREMENTS OF
SECTION 254 OF THE
TELECOMMUNICATIONS ACT OF 1996.

DOCKET 25980
(CERTIFICATION OF CARRIERS
RECEIVING FEDERAL UNIVERSAL
SERVICE SUPPORT)

FURTHER REPORT AND ORDER

BY THE COMMISSION:

I. Introduction and Background

By Order entered in this cause on September 27, 2000, Alabama's Non-Rural Local Exchange Carriers ("Non Rural Carriers"), BellSouth Telecommunications, Inc. ("BellSouth"), and Verizon South, Inc., f/k/a GTE South, Incorporated and Contel of the South, Inc., d/b/a Verizon Midstates (collectively "Verizon") were ordered to file no later than May 18, 2001, their proposals for the utilization of all federal high-cost universal support for which they will be eligible in the year 2002. Said Order afforded interested parties the latitude to submit comments in response to those filings no later than June 1, 2001.

By filing of May 18, 2001, BellSouth submitted its proposal for the utilization of the universal service support for which it will be eligible in the year 2002. On July 5, 2001, Verizon submitted its proposal for the expenditure of the 2002 federal universal service support it anticipates receiving. As explained in more detail below, Verizon's July 5, 2001, submission also outlined the company's proposal for the expenditure of unspent 2001 federal high-cost funding.

In response to the requirements set forth in the Federal Communications Commission's (the "FCC's") May 23, 2001, *Fourteenth Report and Order* in CC Docket No. 96-45¹, the Commission issued an Order on July 13, 2001, requiring all of Alabama's Rural Incumbent Local Exchange Carriers ("Rural Carriers") to submit on or before August 17, 2001, plans and procedures detailing their intended utilization of the estimated federal high-cost universal service support for which they will be eligible in the year 2002. The Commission's July 13, 2001, Order further advised interested parties that comments concerning the plans submitted by Alabama's Rural Carriers would be considered by the Commission if received on or before August 31, 2001. Each of Alabama's Rural Carriers submitted proposals on or about August 20, 2001.² A revised proposal from Castleberry Telephone Company, Inc. was submitted on or about September 13, 2001.

¹ *Federal-State Joint Board on Universal Service, Fourteenth Report and Order and Twenty-Second Order on Reconsideration and Further Notice of Proposed Rulemaking*, CC Docket No. 96-45, FCC 01-157, (rel. May 23, 2001) (*the Fourteenth Report and Order*).

² Alabama's Rural Carriers are identified individually in Appendix A attached hereto.

II. The 2002 Plan of BellSouth

BellSouth premised its May 18, 2001, proposal to the Commission on the assumption that it would receive federal high-cost universal service support approximating \$28.9 million dollars for the year 2002. BellSouth indicated that its proposal for 2002 reflected an expenditure of \$26.1 million dollars for network improvements with the remaining \$2.8 million being applied to fund the annual value of the access charge reduction ordered in the Commission's March 24, 2000, Order in this cause. The Commission did not receive any comments in opposition to BellSouth's filing.

BellSouth's proposal for the year 2002 is attached hereto as Appendix B. A summary of the major elements of BellSouth's filing are set forth below:

- Deploy Loop Fiber and Next Generation Digital Loop Carrier to Implement CSA Design: 2002 - \$20.2M
- Replace Non-Compliant Switches DMS10s & DCOs: 2002 - \$3.7M
- Complete Self-Healing Interoffice Diversity: 2002 - \$1.4M
- Deploy Self-Healing Diversity Between BellSouth and Verizon: 2002 - \$.3M
- Improve Testability, Surveillance and Replace Technology that Limits Service Delivery: 2002 - \$.5M

The Commission staff has reviewed the 2002 expenditure plans submitted by BellSouth and finds that with one minor amendment, the federal high-cost universal service expenditures proposed therein by BellSouth should be certified as compliant with §254(e) of the Telecommunications Act of 1996.³ The amendment recommended by the staff would require BellSouth to utilize up to \$350,000 of the \$20.2 million dollars it proposes to expend during 2002 to deploy loop fiber and next generation digital loop carrier to implement CSA design on the provision of basic local exchange telecommunications service to end users located in high-cost wire centers.⁴ The end users in question are those who have made application for service but have been unable to obtain it due to economic inefficiency and/or prohibitive aid to construction amounts.

In order to implement its recommended amendment to BellSouth's 2002 expenditure plan, the staff recommended that the federal high-cost universal service funding made available to provide basic local exchange service to unserved customers in high-cost wire centers should be available for the

³ Pub. L. No. 104-104, 110 Stat. 56 codified at 47 U.S.C. §151 *et seq.* (hereinafter the "Act"). Cites to sections of the Act are accordingly cites to 47 U.S.C.

⁴ In the event that receipts from the federal universal service fund are insufficient to fund the necessary construction in a particular year, the company will be reimbursed with receipts from the following year. In the event that receipts from the federal universal service fund are discontinued or eliminated, the guidelines for providing service in high cost wire centers shall be the same as those for non-high cost wire centers. In the event the FCC changes the designation of a wire center from non-high cost to high cost or vice versa, the appropriate guidelines discussed above shall apply from the effective date of the change on a going forward basis.

provision of such service at primary dwellings only up to an initial maximum of \$25,000 per applicant. Construction projects with a cost of \$25,000 or less per applicant shall be funded first. Any funds from the Commission approved allocation remaining after application of the preceding guidelines will be prioritized for the provision of basic service as follows:

- (a) The authorized rate per applicant will be increased from \$25,000 in \$5,000 increments.
- (b) With each \$5,000 increment, those projects that qualify under the revised guidelines will be prioritized for funding.
- (c) The process shall be repeated by increasing the rate per applicant by \$5,000 increments up to a maximum rate per applicant of \$40,000 until the entire \$350,000 is expended or all such projects that fit the criteria are completed (whichever comes first).

For any projects involving the provision of basic local exchange telecommunications service to customers in high-cost wire centers wherein the costs exceed the allocated resources described in the preceding paragraph, the additional capital required to complete the project in question shall be the responsibility of the applicant for service. Applicants for service shall be afforded the opportunity to make a contribution in aid to construction, and the amounts due from such applicants must be received by BellSouth prior to the company's commencement of the construction project in question. The staff recommended that no federal high-cost universal service funds be expended for the payment of nonrecurring tariffed charges for the initiation of service to the affected customers in high-cost wire centers or tariffed recurring charges for the continued provision of such service.

III. The Verizon Proposal

As previously noted, Verizon's July 5, 2001, filing addressed not only the expenditure of federal high-cost universal service support for 2002, but also the expenditure of such funding for 2001 which had not yet been utilized by Verizon. More particularly, Verizon's July 5, 2001, filing added the proposed expenditure of \$3,601,000 in 2001 for the replacement of asynchronous fiber terminals in its territory. The additional expenditure of 2001 funding proposed by Verizon was partly the result of adjustments made by the Commission staff with regard to the level of universal service high-cost funding to be allocated to the support of Verizon's existing rate structure in Alabama. The revised expenditure of 2001 funding is also partly attributable to favorable fluctuations in the level of federal funds for which Verizon is eligible.

Verizon did indicate, however, that only \$500,000 of the \$3.6 million in additional expenditures proposed for 2001 could actually be expended during 2001 since there was insufficient time to complete the installation of the additional infrastructure improvements proposed. Verizon sought permission to expend the remaining \$3.1 million earmarked for 2001 in 2002 as a result. The staff recommended that Verizon be afforded that latitude.

With regard to its proposals for 2002, Verizon indicated that it anticipated the receipt of \$9,854,371 in federal universal service high-cost funds above and beyond the \$7,749,629 in such funding that would be dedicated to the support of Verizon's existing rate structure in Alabama. No party filed

DOCKET 25980 - #4

comments in opposition to Verizon's proposal for 2001/2002 which is attached hereto as Appendix C. A summary of the major elements of Verizon's filing are set forth below:

- Replace Asynchronous Fiber Terminals: 2001 - \$3,601,000
- Interoffice Facility Routes: 2002 - \$1,662,184
- Buried Air Core Cable Replacement: 2002 - \$2,374,202
- Fiber to Remotes: 2002 - \$1,423,641
- Deployment of Technicians to Rural Areas: 2002 - \$442,420
- Replace Asynchronous Fiber Terminals: 2002 - \$714,000
- Service Improvements: 2002 - \$2,027,443
- CNAD Card Replacement: 2002 - \$1,210,481

The Commission staff has determined from its review of Verizon's July 5, 2001, filing that Verizon's proposals for the expenditure of the federal high-cost universal service support for the remainder of 2001 and 2002 should be approved with one limited amendment. As discussed in more detail below, that amendment is virtually identical to the Staff's recommended amendment to BellSouth's proposal for 2002 addressed above.

In particular, the staff proposed that up to \$350,000 of the \$2,027,443 which Verizon proposed to expend during 2002 on service improvements be specifically made available for the provision of basic local exchange telecommunications service to end users located in high-cost wire centers.⁵ As with BellSouth, the Customers affected are those who have made application for such service but have been unable to obtain it due to economic inefficiency and/or prohibitive aid to construction costs.

In order to implement the amendment proposed, the staff recommended that the federal high-cost universal service funding made available to provide basic local exchange service to unserved customers in high-cost wire centers should be available for the provision of such service at primary dwellings only up to an initial maximum of \$25,000 per applicant. Construction projects with a cost of \$25,000 or less per applicant shall be funded first. Any funds from the Commission approved allocation remaining after application of the preceding guidelines will be prioritized for the provision of basic local service as follows:

- (a) The authorized rate per applicant will be increased from \$25,000 in \$5,000 increments.
- (b) With each \$5,000 increment, those projects that qualify under the revised guidelines will be prioritized for funding.
- (c) The process shall be repeated by increasing the rate per applicant by \$5,000 increments up to a maximum rate per applicant of \$40,000 until the entire \$350,000 is expended or all such projects that fit the criteria are completed (whichever comes first).

For any projects involving the provision of basic local exchange telecommunications service to customers in high-cost wire centers wherein the costs exceed the allocated resources described in the preceding paragraph, the additional capital required to complete the project in question shall be the

⁵ *Id.*

responsibility of the applicant for service. Applicants for service shall be afforded the opportunity to make a contribution in aid to construction, and the amounts due from such applicants must be received by Verizon prior to the company's commencement of the construction project in question. The staff recommended that no federal high-cost universal service funds be expended for the payment of nonrecurring tariffed charges for the initiation of service to the affected customers in high-cost wire centers or tariffed recurring charges for the continued provision of such service.

IV. The Filings of the Rural Carriers

In the August 20th filings made by Alabama's Rural Carriers⁶ which are attached hereto as Appendix D, each company estimated the level of federal funding which they anticipated receiving in 2002 and certified that those funds would be expended for the continued provision, maintenance and upgrading of the facilities and services described at 47 CFR §54.101. No party submitted comments in response to the filings of any Rural Carrier.

Upon its review of the proposals submitted by the Rural Carriers, the staff noted that none of the Rural Carriers submitted proposals which specifically detailed the amount of funding that would actually be expended on any particular eligible project.⁷ The staff concluded, however, that the timing of the FCC's *Fourteenth Report and Order* and the requirement therein that certification of the 2002 plans of Rural Carriers must be completed prior to October 1, 2001, precluded a request by the Commission that the Rural Carriers resubmit proposals detailing with greater specificity their planned expenditures of 2002 funding. The staff instead determined that the submission of such revised proposals for each Rural Carrier must be submitted on or before December 7, 2001, so that the specific plans of the Rural Carriers can be adequately assessed prior to the actual expenditure of any 2002 funding.

The staff noted that its experience in dealing with the Rural Carriers provided adequate assurance that the Rural Carriers in Alabama would indeed endeavor to expend the funding in question in a manner appropriate with §254 of the Act and the FCC's rules. The staff accordingly had no hesitation regarding certification of the Rural Carrier to receive the funding in question contingent upon their submission of more specific plans.

In order to assist the Rural Carriers in their submission of the revised plans required herein, as well as the establishment of on-going monitoring procedures, the Commission staff further recommended the establishment of a workshop to be jointly attended by the Commission staff and designated representatives of the Rural Carriers in Alabama. The staff recommended that said workshop be established for November 14, 2001, at a time and location to be specified later.

⁶ As noted previously, Castleberry Telephone Company, Inc. filed a revised proposal with the Commission on or about September 13, 2001.

⁷ The staff also noted that the funding estimates submitted by the Rural Carriers included the Long Term Support amount that each carrier anticipated receiving in 2002. Footnote 446 of the FCC's *Fourteenth Report and Order* further defines Long Term Support and clarifies that the responsibility for certification of such funding rests with the F.C.C. This Commission accordingly does not certify in this proceeding the LTS funding that will be received by Alabama's Rural Carriers.

V. Discussion and Conclusions

We hereby adopt each of the recommendations of staff set forth herein and approve consistent therewith, the proposals submitted in this cause by BellSouth, Verizon and Alabama's Rural Carriers governing their expenditure of federal high-cost universal service support during the year 2001/2002. We will certify to the FCC that those plans are compliant with the provisions of §254(e) of the Act.⁸

We specifically note, however, that our approval herein is contingent upon the staff's continued monitoring of the implementation of the aforementioned plans. The Commission specifically reserves the right to conduct the proceedings outlined herein and any additional proceedings that may be necessary to determine if the funding under review should be redirected to other qualifying projects as required by the Commission.

We further note that the \$.0025 terminating switched access charge reduction approved in our Order of March 24, 2000, in this cause is hereby carried forward for 2002. BellSouth has accordingly authorized to expend \$2.8 million of the federal high-cost universal support it is scheduled to receive in 2002 to support that continued reduction. We further find that in the event that intrastate switched access charges in Alabama are reduced in the context of the Commission's local competition proceedings in Joint Dockets 24499, 24472, 24030 and 23865 prior to the end of 2002 BellSouth will be allowed to reallocate to its infrastructure construction budgets approved herein all funds required to implement the \$.0025 terminating switched access charge reduction which is carried forward by this Order. We find such a result to be consistent with the public interest, convenience and necessity.

IT IS, THEREFORE, ORDERED BY THE COMMISSION, That the May 18, 2001, proposal of BellSouth Telecommunications, Inc. delineating the company's intended utilization of the federal high-cost universal service support for which it is eligible during the year 2002 is hereby approved as modified herein and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996.

IT IS FURTHER ORDERED BY THE COMMISSION, That the July 5, 2001, proposal of Verizon South, Inc., f/k/a GTE South, Incorporated, and Contel of the South, d/b/a Verizon Midstates which delineates the company's intended utilization of the forward-looking federal high-cost support for which it is eligible during the remainder of 2001 and 2002 is hereby approved as amended herein and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996.

IT IS FURTHER ORDERED BY THE COMMISSION, That the August 20, 2001, proposals of Alabama's Rural Carriers, as well as the September 13, 2001, revised proposal of Castleberry Telephone Company, Inc. are hereby approved and certified as compliant with the provisions of §254(e) of the Telecommunications Act of 1996.⁹ Each of Alabama's Rural Carriers are, however, required to submit more specific proposals governing the expenditure of the federal universal service high-cost support for which they are eligible in 2002 on or before December 7, 2001.

⁸ *Id.*

⁹ *Id.*

IT IS FURTHER ORDERED BY THE COMMISSION, That the approval and certifications addressed herein shall be contingent upon satisfactory results from the Commission's ongoing review of the project specific expenditures of BellSouth, Verizon and each of Alabama's Rural Carriers. The Commission specifically reserves the right to conduct whatever proceedings may be deemed necessary to determine that the universal service funding received by BellSouth, Verizon and Alabama's Rural Carriers should be redirected by the Commission to other qualifying projects. To that end BellSouth and Verizon shall continue to submit to the Commission within thirty (30) days of the close of each calendar quarter, a report delineating the status of each project approved herein and the level of funding expended on said projects. Alabama's Rural Carriers will be required to submit to the Commission on May 30th and October 31st of 2002 a report delineating the status of each project approved herein and the amount of federal high-cost universal service support which has actually been expended on such projects.

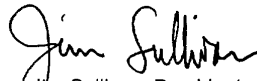
IT IS FURTHER ORDERED BY THE COMMISSION, That BellSouth, Verizon and Alabama's Rural Carriers shall file their proposals for the utilization of federal high-cost universal service support for which they are eligible in the year 2003 no later than May 3, 2002. Interested parties may submit comments in response to those filings no later than May 24, 2001. Reply comments will be considered by the Commission if received on or before June 14, 2002.

IT IS FURTHER ORDERED BY THE COMMISSION, That jurisdiction in this cause is hereby retained for the issuance of any further order or orders as may appear to be just and reasonable in the premises.

IT IS FURTHER ORDERED, That this Order shall be effective as of the date hereof.

DONE at Montgomery, Alabama, this 21st day of September, 2001.

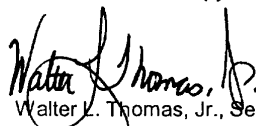
ALABAMA PUBLIC SERVICE COMMISSION


Jim Sullivan, President


Jan Cook, Commissioner


George C. Wallace, Jr., Commissioner

ATTEST: A True Copy


Walter L. Thomas, Jr., Secretary

APPENDIX "A"

ALLTEL Alabama, Inc.
Ardmore Telephone Company, Inc.
Blountsville Telephone Company, Inc.
Brindlee Mountain Telephone Company
Butler Telephone Company, Inc.
Castleberry Telephone Company, Inc.
Farmers Telephone Cooperative, Inc.
Frontier Communications of Alabama, Inc.
Frontier Communications of Lamar County, Inc.
Frontier Communications of the South, Inc.
Graceba Telephone Company, Inc.
GTC, Inc., d/b/a GT Com
Gulf Telephone Company, Inc.
Hayneville Telephone Company, Inc.
Hopper Telecommunications, Inc.
Interstate Telephone Company, Inc.
Millry Telephone Company, Inc.
Mon-Cre Telephone Cooperative, Inc.
Moundville Telephone Company, Inc.
National Telephone Company, Inc.
New Hope Telephone Cooperative, Inc.
Oakman Telephone Company
Otelco Telephone, LLC
Peoples Telephone Company
Pine Belt Telephone Company, Inc.
Ragland Telephone Company, Inc.
Roanoke Telephone Company, Inc.
Union Springs Telephone Company, Inc.
Valley Telephone Company, Inc.

APPENDIX "B"



BellSouth Telecommunications, Inc.
3196 Highway 280 South
Room 304N
Birmingham, AL 35243

francis.semmes@bellsouth.com

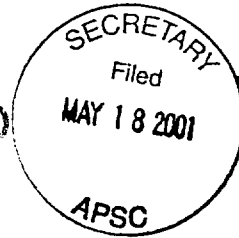
Francis B. Semmes
General Counsel-Alabama

205 972-2556
Fax 205 969-2285

May 17, 2001

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VIA OVERNIGHT MAIL

Walter Thomas, Secretary
ALABAMA PUBLIC SERVICE COMMISSION
RSA Union Building, 8th Floor
100 N. Union Street
Montgomery, AL 36104

FCC MAIL ROOM

Re: **Docket No. 25980**

Dear Mr. Thomas:

Pursuant to Commission Order dated September 27, 2000 in the above referenced docket, attached is BellSouth's proposal for the utilization of the federal high-cost universal service support for the year 2001. We anticipate that the support level will be equal to the \$28.9 million allocated for year 2001. The proposal reflects \$26.1 million for network improvements, with the remaining \$2.8 million used to fund the annual value of the access charge reduction made on July 1, 2000.

Sincerely,

A handwritten signature of Francis B. Semmes.
Francis B. Semmes

FBS/mhs
Attachment

cc: Parties of Record

5/18/01
Comm.
Legal
Advisory
C.S.
Telecom(3)
AG
W.T.

Exhibit A

Deploy Loop Fiber and Next Generation Digital Loop Carrier to Implement CSA Design: 2002 - \$20.2M

The implementation of Carrier Serving Areas (CSAs) will provide improved service to the customer and will provide a means of delivering additional services and capabilities not available over a totally copper network.

The goal of the CSA concept is to sectionalize areas of a wire center beyond twelve thousand feet from the serving central office into discrete geographical units so those customers within the CSA can be provided digital services over an unrepeated facility by utilizing digital loop carrier.

Service improvements are obtained through the deployment of digital loop carrier in the CSA. Customers working over digital loop carrier facilities do not experience the transmission problems caused by metallic influences that are inherent of long copper facilities. Data transmission speeds are improved for services offered over digital loop carrier as opposed to long copper facilities.

BellSouth proposes to continue to deploy fiber and Next Generation Digital Loop Carrier (NGDLC) in the USF wire centers to implement the CSA architecture. The 2002 plan calls for spending \$20.2M on this item.

Replace Non-Compliant Switches DMS10s & DCOs: 2002 - \$3.7M

There are four Siemens Stromberg-Carlson DCO, RNS, and RLS switches, and three Nortel DMS10 switches remaining in BellSouth's Alabama network. Replacement of these "non-compliant" switches with compliant digital switches/remotes will permit BellSouth to provide the full spectrum of digital services available today and those planned for the future to the rural areas served by BellSouth in Alabama. "Non-Compliant" means, in some cases, on the existing switches the vendor has not developed a capability on the switch, such as per use calling and Basic and Primary Rate ISDN in the DCO family of products, as well as, Advanced Intelligent Network (AIN) capability in both the DCO family and the DMS10's. In other cases, "Non-Compliant" means there is a significant cost barrier to overcome in equipping the switch to provide a service. Siemens does not plan to develop future services on the Stromberg-Carlson platform. Nortel's evolution plan for the DMS10 requires a processor replacement along with other hardware upgrades to provide future digital services.

BellSouth proposes to continue to replace all of the non-compliant switches with digital remotes over the next two years (2002 - 2003) at an estimated cost of \$7M. Replacement switches include the Lucent 5ESS family of remotes and the Nortel DMS100 family of remotes. These replacements will provide new services capabilities currently available in the larger wire centers and metropolitan areas (Per Use Feature Calling, ISDN, Message Waiting Indication Service, and Advanced Intelligent Network services) to the smaller wire centers in rural Alabama. The wire centers covered under this recommendation are:

Eutaw*	Boligee*
York *	Livingston
Leighton	Carbon Hill
Parrish	

* Switches scheduled to be replaced in 2002.

Complete Self-Healing Interoffice Diversity: 2002 - \$1.4M

Eight of the BellSouth wire centers impacted by the Federal Communication Commission's ("FCC's") Universal Service Order currently are connected to the rest of the BellSouth network via a single path. Customers in these wire centers would be isolated from the rest of the world when this single cable is cut. This cable carries not only voice, but also data about the customer addresses and emergency information used during an E911 call. Certain advanced signaling and switching features are also disabled during this cable failure.

BellSouth proposes to continue to deploy a second, diverse fiber route from each wire center and Synchronous Optical Network ("SONET") self-healing ring electronics to improve the reliability of the interoffice facilities. The wire centers included in this proposal are:

Linden	Ft. Mitchell
Thomasville	Ft. Deposit
Fairview	Renfro*
Lexington*	Carbon Hill*

* Wire centers scheduled to receive self-healing service during 2002.

Deploy Self-Healing Diversity Between BellSouth and Verizon: 2002 - \$.3M

Approximately 11% of the customers in Alabama are provided local service by Verizon. BellSouth and Verizon jointly plan and provision facilities between these areas into a seamless network for the customers. All traffic, both local and intraLATA toll, between these areas is currently subject to failure due to a single cable cut.

BellSouth proposes to build a second fiber path, where required, to meet Verizon in the locations listed below and deploy shared SONET self-healing ring electronics to protect service between the two companies. Fiber and electronics would be deployed over a three-year period at an estimated cost of \$.9M. Timing of the implementation of the individual projects will be coordinated with Verizon. The locations included in this proposal are:

Winfield- Carbon Hill
Heflin –Ashland -Talladega
Fowl River – Belle Fountaine

At this time, BellSouth and Verizon have not reached agreement on the 2002 projects.

Improve Testability, Surveillance & Replace Technology that Limits Service Delivery: 2002 - \$.5M

BellSouth has put in place remote testing and surveillance systems to evaluate trouble reports or to verify available facilities for a new service before dispatching a technician. Several of the existing systems have been in place for ten or more years and the technology has high maintenance costs and is less accurate than systems available today. BellSouth has been replacing the older testing technology in some of the urban wire centers. BellSouth proposes to replace/upgrade testing and surveillance systems and add Performance Monitoring/Test Access systems in the USF wire centers in order to improve the Company's ability to monitor the network, to identify troubles earlier, and to analyze the trouble more completely. The result will be better service to the customers in the USF wire centers. A detail of the systems upgrades, replacements and additions are provided below.

Improve MLT Testability

Mechanized Loop Testing (MLT) system upgrades will enhance the ability of BellSouth to monitor, detect, and resolve customer service troubles. By employing these upgrades, the customer will experience better service due to improved reliability of trouble isolation and minimized false-dispatches. The end result is a reduction in the time required to clear a trouble; thus, the customer's service is restored more quickly. The MLT upgrades also provide expanded remote testing functionality, such as the ability to test ISDN lines, and the ability to detect potential problem areas using Automatic Line Insulation Test ("ALIT"), which helps to analyze and resolve problems even before they cause a customer service outage.

Replace Manufactured Discontinued Fiber Connectors

To further improve service to the rural, high cost areas, BellSouth's plan calls for replacing all manufactured discontinued connector equipment on fiber optic cables in the USF supported wire centers. This type of connector is found throughout the state and the replacement of these connectors will permit quicker service provisioning and allow for faster service restoration in case of a fiber failure.

Deploy Central Office Maintenance and Documentation Interface Equipment

BellSouth has central offices in Alabama that are unmanned and, therefore, require that a technician be dispatched to perform on-site central office maintenance and provisioning functions. Through the deployment of central office maintenance and documentation (COMD) interface workstations, remote access to switch and circuit network elements is made available. By interconnecting the COMD workstations in each office of a host-remote cluster, a technician located in one office of the cluster then has the ability to remotely perform diagnostics, surveillance and provisioning in any office within that cluster. This remote access capability provides the potential to reduce response time, increase technician productivity, and reduce the duration of customer service outages.

Deploy Performance Monitoring and Test Access (PM/TA)

Performance monitoring can be considered pro-active maintenance. By monitoring the customer's circuit, degradations of circuit quality can be detected and corrected prior to total failure of the circuit. In the case of circuit failure, BellSouth can begin trouble isolation using the remote test access devices and possibly dispatch a repair technician as early as possible (at times prior to receiving a customer complaint). In order to provide improved performance monitoring and testing in the smaller USF wire centers, the BellSouth plan calls for deployment of DS1 PM/TA equipment.

Replace Manufactured Discontinued DS0 Test Access Equipment

There are 45 USF offices in Alabama equipped with Anritsu 9960 DS-0 test heads. The 9960 performed the same function as the SMAS RTS/RTP bays replaced on previous USF jobs. The 9960 was chosen for smaller offices because it costs less than the RTS/RTP bay. Anritsu began manufacturing the 9961 Metallic Access Test System (MATS plus) about 1992, manufacture discontinuing the 9960 shortly afterward. Replacement of the 9960 with either the 9961 or 9962 test head would improve test access speed (9600 baud vs. 1200 baud), improve spare plug in availability, and position USF offices for testing new services (Anritsu halted R & D for the 9960 when it was made MD).

345075

CERTIFICATE OF SERVICE

This is to certify that I have served a copy of the foregoing on all parties of record by placing a copy of same in the United States Mail, First Class, Postage Prepaid, on this the 17th day of May, 2001.

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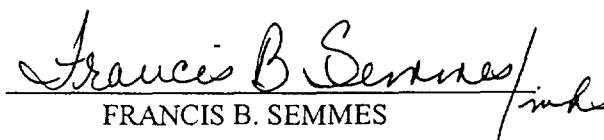
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FRANCIS B. SEMMES

APPENDIX "C"

External Affairs



2000 Interstate Park Drive, Suite 101
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Phone 334.277.1585

July 3, 2001

Walter Thomas, Jr., Secretary
Alabama Public Service Commission
Post Office Box 991
Montgomery, AL 36101-0991

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28986

RE: Revised Universal Service Funding Plan for 2001 and 2002

Dear Mr. Thomas:

Per John Garner's request in a letter dated June 15, 2001 Verizon submits its revised Universal Service Fund (USF) infrastructure expenditure plan for 2001 as well as its USF Plan for 2002.

As the attached plan for 2001 explains, there is not sufficient time remaining in 2001 to fully execute Verizon's plan for 2001 infrastructure improvements. As such, Verizon will spend \$.5 million of the \$3.6 total during 2001. We will spend the remaining \$3.1 million earmarked for 2001 in 2002. 2001 since there is not enough time to complete the installation of those additional infrastructure improvements. The 2002 USF Plan will be engineered and construction will begin on January 1, 2002, assuming the Commission approves the 2002 USF plan.

I trust this revised infrastructure expenditure plan satisfied all the concerns raised in Mr. Garner's June 15 letter. Should you have questions regarding this information, I can be reached at 334/277-1585.

Sincerely,

William C. Hanchey, Jr.
AVP Regulatory and Government Affairs

WCHJr/ats

att

2/3/01
John Garner
Tele (3)

VERIZON ALABAMA

**Application of Federal Support Towards Infrastructure Improvements
Additional Supplemental Funds
2001**

Below is an infrastructure improvement, which will be added to our initial 2001 application:

	<u>Capital</u>	<u>Expense</u>
(1) Replace Asynchronous Fiber Terminals	\$3,601,000	\$ 0
Subtotals	\$3,601,000	\$ 0
TOTAL COST	\$3,601,000	

(1) Replace Asynchronous Fiber Terminals:

The asynchronous fiber terminals in the rural areas will be replaced with SONET based fiber terminals capable of transporting clear channel B8ZS signaling. This capability will allow Verizon to preposition for broadband services and provide the backbone infrastructure for rural development.

Exchanges that may benefit from this project are:

Hackleburg	Hamilton	Haleyville	Berry
Bayou La Batre	Irvington	Grand Bay	Heflin
Winfield	Ethelsville	Fayette	Wedowee
Sulligent	Detroit	Falkville	Woodland
Fowl River	Jemison	Banks	Lecta
Massey	Oden Ridge	Wicksburg	Panola
Notasulga	Abbeville	Geneva	Wadley
Morrison's X-Roads	Louisville	Hartford	Mentone
Headland	Kinston	Newton	Brilliant
Newville	New Brockton	Echo	Thorsby
Opp	Samson	Slocumb	Ariton

Please note that this application totals an additional \$3,601,000 for 2001 and is being submitted at the request of the Alabama Public Service Commission on June 29, 2001. Due to lead times associated with switching equipment and manpower availability, it will be impossible to complete the installation of this infrastructure improvement by the end of 2001. This initiative can be started this year when funding is provided but will not be completed until 2002. If the actual allotment from USF funds varies from the estimated \$9,854,000 in 2001, adjustments will be made to the asynchronous fiber terminal replacement project. The total cost to replace 100% of the asynchronous terminals throughout the state is estimated to be \$4,315,000. The remaining terminals will be submitted on the 2002 application.

VERIZON Alabama

**Application of Federal Support Towards Infrastructure Improvements
2002**

The specific infrastructure improvements are divided into 7 projects:

	<u>Capital</u>	<u>Expense</u>
(1) Interoffice Facility Routes	\$1,662,184	
(2) Buried Air Core Cable Replacement	\$2,374,202	
(3) Fiber to Remotes	\$1,423,641	
(4) Deployment of Technicians to Rural Areas		\$442,420
(5) Replace Asynchronous Fiber Terminals	\$ 714,000	
(6) Service Improvements	\$2,027,443	
(7) CNID Card Placement	<u>\$1,210,481</u>	
Subtotals	\$ 9,411,951	\$442,420
TOTAL COST	<u>\$ 9,854,371</u>	

(1) Interoffice Facilities (IOF) Routes:

Interoffice route diversity allows for the re-directing of all voice and data traffic (i.e. message, local, EAS, long distance) to prevent any downtime or call blockage problems due to damaged cable or equipment failures. This builds protection into the network for all voice and data traffic and insures completion of the messages.

The following routes will be targeted for route diversity:

Verizon – Other ILEC

Wadley/Roanoke (Point to point fiber)

Verizon – Verizon Routes

Sulligent/Winfield

Exchanges that will benefit from this project:

Wadley	Sulligent	Morrison's Crossroads
Wedowee	Winfield	Fayette
Woodland	Guin	Ashland
Delta	Detroit	Vernon
Lineville		

VERIZON Alabama

**Application of Federal Support Towards Infrastructure Improvements
2002**

(2) Buried Air Core Cable Replacement

Air core cable is old generation, local feeder cable that is not jelly filled. This allows moisture and water to penetrate the cable and cause increased trouble conditions (i.e. bad signaling, unusable cable pairs for local services). This program will replace air core cable with jelly filled cable, which improves local facility conditions by improving transmission quality and facility availability, and reducing trouble reports.

Exchanges to benefit from this project are:

Haleyville	Hamilton
Ozark	Irvington

(3) Fiber To Remotes

This program replaces the existing copper facilities with fiber optic cable between several host and remote central offices. This improves the network performance between the host and the remote reducing blocked calls, service outages, as well as providing the capability to introduce new services.

Exchanges to benefit from this project are:

Lincoln	Bayou La Batre
Skyline	Samson
Double Springs	Jemison
Kinston	Slocomb

VERIZON Alabama

**Application of Federal Support Towards Infrastructure Improvements
2002**

(4) Deployment of Technicians to Rural Areas

Deploy technicians to rural areas to improve service intervals for both installation and repair activities. This initiative will continue to support the technicians deployed under the 2000 plan.

Exchanges to benefit with this project are:

Clio	Pine Hill	Ashland tri-county area
Coffeeville	Samson	Pell City tri-county area
Elba	Brundidge	Bayou La Batre
Fort Rucker	Newton	Enterprise area
Echo	Geneva	Tallassee area

(5) Replace Asynchronous Fiber Terminals

The asynchronous fiber terminals in the rural areas will be replaced with SONET based fiber terminals capable of transporting clear channel B8ZS signaling. This capability will allow Verizon to preposition for broadband services and provide the backbone infrastructure for rural development. This initiative completes the replacement of the asynchronous terminal project started with the 2001 USF funds.

Exchanges to benefit from this project are:

Hackleburg	Hamilton	Haleyville	Berry
Bayou La Batre	Irvington	Grand Bay	Heflin
Winfield	Ethelsville	Fayette	Wedowee
Sulligent	Detroit	Falkville	
Woodland			
Fowl River	Jemison	Banks	Lecta
Massey	Oden Ridge	Wicksburg	Panola
Notasulga	Abbeville	Geneva	Wadley
Morrison's X-Roads	Louisville	Hartford	Mentone
Headland	Kinston	Newton	Brilliant
Newville	New Brockton	Echo	Thorsby
Opp	Samson	Slocumb	Ariton

VERIZON Alabama

Application of Federal Support Towards Infrastructure Improvements
2002

(6) Service Improvements

The service improvements identified involve replacing obsolete DLC systems that are currently working in very slow growth areas that would normally not be considered for replacement until they were exhausted. The other area of service improvement involves an area that is very expensive to serve where we have no facilities. The plan is to preposition facilities in this area in order to meet anticipated growth where in the past, exchange boundaries were changed and customers given to other ILECs.

Exchanges to benefit from this project are:

Andalusia

Ashland

(7) CNID Card Placement

Many of the remotes in our rural areas are not 100% CNID capable. If a customer desires CNID, very often the service does not work and requires a trouble ticket to dispatch a technician. Cards are switched from line to line depending on the request. This initiative will install cards in our rural remotes where the activity is high resulting in improved customer satisfaction.

Areas to benefit from this project are:

Ashland area

Trussville area

Grand Bay area

APPENDIX "D"

BRANTLEY, WILKERSON & BRYAN, P.C.

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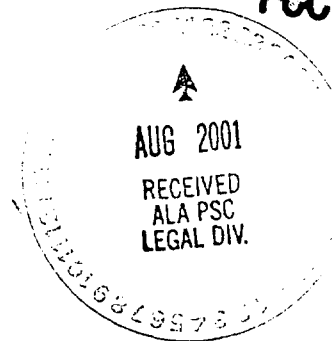
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*ALSO ADMITTED IN TENNESSEE

August 17, 2001

VIA HAND DELIVERY

The Honorable Walter Thomas
Alabama Public Service Commission
RSA Union Building
100 North Union Street
Montgomery, AL 36104



RECEIVED

SEP 24 2001

FCC MAIL ROOM

Re: Response to Request for Plans and Procedures For Projected Utilization of High-Cost Universal Service Support

Dear Mr. Thomas:

Enclosed for filing with the Commission are the original and ten (10) copies of responses by ALLTEL Alabama, Inc., regarding anticipated utilization of high-cost universal service support, as required by the Commission's Order of July 13, 2001.

Thank you for your courtesies in this matter. Please direct any questions regarding the documents to my office.

Very Truly Yours,

Mark D. Wilkerson

MDW/tms

Enclosures